The Mail ON SUNDAY
JUNE 24, 2018 £1.80
SUNDAY NEWSPAPER OF THE YEAR

How to make the most of moving to a smaller home

By **Siobhan McFadyen**

HOME COMFORTS: The Greenhouse and Pavilion at Wadswick Green in Wiltshire. Inset: One of the flats

DAVID JENSEN

The downsizing lowdown

AT SOME point, most of us reach a stage when we want to put our feet up a bit more. Maybe the way to do that is to buy a smaller home, so we don't have to look after all those empty rooms where there used to be children. Or perhaps move to a similar home in a more remote area – thus releasing money for retirement.

Last year, retirement home-builder McCarthy & Stone found that 5.7 million people aged 65 or over were considering downsizing.

Alternatively, you may want to move to a retirement development, where you can own your own home but have professional assistance on hand should you need it.

One of the benefits of downsizing is that it can enable you to give money to your children if they're trying to make their own way on to or up the property ladder. But any such moves are fraught with financial considerations, so it's advisable to consult an expert on tax and inheritance.

Craig Gibson, a partner at WDM Chartered Accountants, says: 'Homes are a massive asset for people who have been committed to them for decades, so understanding your options is essential, especially when you're selling.'

And if you're tempted to hand over your house or large chunks of money to your children, he says, 'there are some ways to give your children cash or your home, but it's very important to get good independent financial advice'. For instance, the annual allowance for tax-free gifts to children (or anyone else) is £3,000 per person. But parents can give up to £5,000 to children as wedding or civil-partnership gifts tax-free. Regular payments are exempt from inheritance tax, as long as they come from your income and not your savings and don't significantly affect your lifestyle.

When downsizing, it is important

to consider what would be left to your children when you die.

The inheritance-tax threshold currently stands at £325,000, and the rate payable on estates of more than that is 40 per cent of the amount above £325,000. The exception is if you are married, as you can pass your full estate to your spouse in the event of your death without paying inheritance tax. By doing this you also pass on your £325,000 inheritance-tax exemption, so £650,000 of your combined estate would then be free from inheritance tax.

If you go into residential care, you may have to sell your home to pay for it. One way to hold on to your home so you can pass the proceeds on to your children is to buy in a retirement development, like Wadswick Green in Wiltshire, where help is on hand for that care. However, exit fees that the development takes when you die will deplete any money you can pass on – as will service charges.

Another option to free up money from your home is equity release. You have to be over 55 to go down this path, but it allows you to release money as a lump sum, or in several smaller amounts, or as a combination of both. And while equity-release products give you access to the cash in your home, they tend to be more expensive than regular mortgages and have associated fees. Triggering equity release may also affect your ability to claim state benefits.

With so many people's money in bricks and mortar – and with, these days, so many options available to those reaching retirement age – it's no wonder that experts say it's more important than ever before to look at 'succession planning'.

5 TOP TIPS FOR DOWNSIZING

1 CHOOSE WITH CARE
Think about where you want to live. It's no good if you're in a lovely place but far from friends and family.

2 GET TAX-WISE
Consider the tax implications of a move. Moving to a cheaper property may mean you pay less inheritance tax, but it also means you'll pass on less property-wise.

3 CHECK THE SMALL PRINT
Retirement developments come with fees, such as service charges and 'exit fees' when you die. Check these carefully as they could make a big difference.

4 BE SENSIBLE ABOUT SELLING
Maximise the sale price of your existing home. Get a number of quotes from estate agents. Make simple improvements, but nothing too onerous as it may not be cost-effective.

5 DON'T STORE UP PROBLEMS
Carefully address what you want to do with belongings that won't fit in your new home. Could you sell some of them? Or give some away to family and friends, or to charity? Or maybe a storage unit might help, particularly if you're in two minds about some possessions.

LUXURY LIVING: One of Birchgrove's apartments in Sidcup

Rent your way to riches

IN AMERICA, Australia and on the Continent, renting in retirement is much more popular than here. The British obsession with home ownership means we are keener than those in other countries to tie up our money in property.

But there was 13 per cent increase in retired renters here between 2012 to 2016, according to the National Landlords Association, and Scottish Widows recently predicted figures will double to nine million by 2022.

The luxury Birchgrove development in Sidcup, South-East London, is tapping into this trend and has a model that sees retirees freeing up cash by selling their homes and renting. This way, says Birchgrove managing director Honor Barratt, right, they can afford a lifestyle that would be beyond them with home ownership, and they are free to explore other ways to pass money on to their children rather than through their home.

Meanwhile, Platinum Skies has developments in Dorset where you can part-rent-part-buy homes. It also has a pay-as-you-use service-charge system.